



**Solicitation Information  
January 9, 2013**

***Request for Information (RFI) # 7459229***

**TITLE:** Risk Adjustment and Reinsurance Program

***Submission Deadline:*** *Wednesday, February 6, 2013 at 10:30 AM (EST)*

Questions concerning this solicitation must be received by the Division of Purchases at [gail.walsh@purchasing.ri.gov](mailto:gail.walsh@purchasing.ri.gov) no later than **Wednesday, January 23, 2013 at 12 Noon (EST)**. Questions should be submitted in a *Microsoft Word attachment*. Please reference the RFI # on all correspondence. Questions received, if any, will be posted on the Internet as an addendum to this solicitation. It is the responsibility of all interested parties to download this information.

**SURETY REQUIRED:** No

**BOND REQUIRED:** No

Gail Walsh  
State of Rhode Island  
Division of Purchases

Vendors must register on-line at the State Purchasing Website at [www.purchasing.ri.gov](http://www.purchasing.ri.gov)

**THIS PAGE IS NOT A BIDDER CERTIFICATION FORM**

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**Introduction**

The Rhode Island Department of Administration, Division of Purchases, on behalf of the Rhode Island Office of the Health Insurance Commissioner (OHIC) is soliciting responses from qualified entities to explore the implementation of a risk adjustment and reinsurance program. The State seeks entities who will respond to both the risk adjustment and reinsurance sections of this RFI, as well as respondents who wish to bid separately on the risk adjustment or reinsurance sections, or component elements of either risk adjustment and reinsurance programs

**\*\*\*This is a Request for Information (RFI). No award will be made as a result of this solicitation.\*\*\***

**INSTRUCTIONS AND NOTIFICATIONS TO OFFERORS:**

- Potential respondents are advised to review all sections of this Request carefully, and to follow instructions completely, as failure to make a complete submission as described elsewhere herein may result in rejection of the proposal.
- Alternative approaches and/or methodologies to accomplish the desired or intended results of this request are solicited. However, responses which depart from or materially alter the terms, requirements, or scope of work defined by this Request will be rejected as being non-responsive.
- All costs associated with developing or submitting a proposal in response to this Request, or to provide oral or written clarification of its content, shall be borne by the offeror. The State assumes no responsibility for these costs.
- Responses are considered to be irrevocable for a period of not less than sixty (60) days following the opening date, and may not be withdrawn, except with the express written permission of the State Purchasing Agent.
- All pricing submitted will be considered to be firm and fixed unless otherwise indicated herein.
- Responses misdirected to other State locations or which are otherwise not present in the Division of Purchases at the time of opening for any cause will be determined to be late and may not be considered. The “Official” time clock is in the reception area of the Division of Purchases.
- In accordance with Title 7, Chapter 1.1 of the General Laws of Rhode Island, no foreign corporation shall have the right to transact business in the state until it shall have procured a Certificate of Authority to do so from the Rhode Island Secretary of State (401-222-3040). *This will be a requirement only of the successful bidder (s).*

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- The State of Rhode Island has a goal of **ten percent (10%)** participation by MBE's in all State procurements. For further information, visit the web site [www.mbe.ri.gov](http://www.mbe.ri.gov). To speak with an M.B.E. Officer, call (401) 574-8253 or e-mail [charles.newton@doa.ri.gov](mailto:charles.newton@doa.ri.gov).
- Interested parties are instructed to peruse the Division of Purchases web site on a regular basis, as additional information relating to this solicitation may be released in the form of an addendum to this RFI.
- **Equal Employment Opportunity (RIGL 28-5.1)**  
**§ 28-5.1-1 Declaration of policy.** – (a) Equal opportunity and affirmative action toward its achievement is the policy of all units of Rhode Island state government, including all public and quasi-public agencies, commissions, boards and authorities, and in the classified, unclassified, and non-classified services of state employment. This policy applies in all areas where the state dollar is spent, in employment, public service, grants and financial assistance, and in state licensing and regulation. For further information, contact the Rhode Island Equal Employment Opportunity Office, at 222-3090 or via e-mail at [Raymond.lambert@hr.ri.gov](mailto:Raymond.lambert@hr.ri.gov).

### **Request for Information**

#### **REQUIREMENTS AND DEADLINES FOR QUESTIONS AND RESPONSES**

This RFI outlines the type of information the State solicits from potential respondents and includes guidelines for content and format of responses.

Respondents must submit all questions regarding this RFI in written form, pursuant to the terms & conditions expressed on page one of this solicitation.

Respondents that desire to reply to this RFI must do so, in writing, by providing one (1) original and **five (5)** complete copies by the date & time indicated on page one of this solicitation. Please also submit two (2) electronic copies (thumb drive, CD, etc.) Submit responses to this RFI, marked **“RFI # 7459229 Risk Adjustment and Reinsurance Program”** to:

RI Department of Administration  
Division of Purchases, 2<sup>nd</sup> Floor  
One Capitol Hill  
Providence, RI 02908-5855

**Note:**

Responses received after the above-referenced due date and time may not be considered. Responses misdirected to other State locations or which otherwise not presented in the Division of Purchases by the scheduled due date and time will be determined to be late and may not be considered. Responses faxed or emailed, to the Division of Purchases will not be considered. The “official” time clock for this solicitation is located in the Reception Area of the Department of Administration/Division of Purchases, One Capitol Hill, Providence, RI.

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**Purpose**

This Request for Information (RFI) solicits specific information from interested vendors with respect to risk adjustment and reinsurance operations. The Office of the Health Insurance Commissioner (OHIC) will use findings generated by this RFI in conjunction with other available information to determine the solution in the best interests of Rhode Island. Additionally, the State will use this RFI as a basis for selecting vendors to interview and demonstrate their risk adjustment and reinsurance solution to key State stakeholders.

Specifically, this RFI seeks information on how the vendor would implement and run risk adjustment and reinsurance programs.

The intended audience for this RFI is companies that plan to implement and/or operate risk adjustment and reinsurance programs on behalf of states.

**Background**

The Affordable Care Act gives states that operate their own Exchanges the option of operating a state-run risk adjustment and/or reinsurance program. Together, these two programs reduce the impact of potential adverse selection and stabilize premiums in both the individual and small group markets once market reforms and the Exchange take effect in 2014. Reinsurance decreases uncertainty by sharing risk in the individual market through payments for enrollees with high claims costs. This program is temporary and will run over a minimum of three years (2014-2016). Risk adjustment provides payments to those issuers that disproportionately attract high risk patient populations. The program transfers funds from issuers with lower risk enrollees to issuers with higher risk enrollees. The risk adjustment program will exist in both the individual and small group markets and is a permanent program. Rhode Island is exploring options for a state-run and operated risk adjustment and reinsurance program. The federal Exchange Establishment Level Two grant will fund start up and research costs for these two programs. A state-based risk adjustment and reinsurance program in Rhode Island will service the small and non-group market in the state. As of December 2011, there were an estimated 80,198 covered lives enrolled in the state's small group market. The state's non-group market enrolled an estimated 14,950 covered lives. Following the implementation of the ACA, it is anticipated that the small group market will cover 85,000 lives while the non-group market is estimated to cover 69,000 lives.

OHIC envisions its risk adjustment and reinsurance programs will accomplish the following responsibilities and functions.

**Program Elements**

[See outline attached separately for potential content for this section]

**Information Requested**

[See outline attached separately for potential content for this section]

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**Content of Response**

The following outline minimizes the effort of the respondent and structures the response for ease of analysis. The listed questions may guide responses, but respondents need not answer each question. All responses will be equally valued, regardless of page length. **Concise responses** are appreciated. Responses should be no more than 20 pages in length.

*Section 1 Vendor Profile*

Please provide a brief description of your organization.

*Section 2 Past Experience*

Please explain your qualifications for implementing Rhode Island's risk adjustment and/or reinsurance program:

- Do you currently offer services to support state-based risk adjustment or reinsurance programs or programs or services that are similar and/or analogous to functions discussed in this document?
- Would you be able to leverage or reuse any existing operations or that have already been deployed in other states or for other entities? If so, please describe.

*Section 3 Risk Adjustment and Reinsurance Approach*

Please provide a description of your solution as it relates to the types of engagement specified above. This description may include any of the following components, as well as any additional functionality identified by the vendor:

- (Risk Adjustment) Data Acceptance and Validation
- (Risk Adjustment) Data Storage and Reporting
- (Risk Adjustment) Financial Reconciliation
- (Risk Adjustment) Risk Score Assignment
- (Risk Adjustment) Calculation of Payments and Charges
- (Risk Adjustment) Invoicing, Collection and Payment
- (Risk Adjustment) Reporting and Analysis
- (Reinsurance) Contribution Collections (Fully and Self Insured)
- (Reinsurance) Stop Loss Recovery Claim Acceptance
- (Reinsurance) Stop Loss Recovery Claim Verification
- (Reinsurance) Stop Loss Payment Recovery
- (Reinsurance) US Treasury Remittance
- (Reinsurance) Pool Accounting, Financial Reporting
- (Reinsurance) Claims Audit and Verification
- Operational/Process Review
- Financial Audit

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- Other functions not otherwise specified in this list that the vendor recommends for the successful implementation and operation of RI's risk adjustment and reinsurance program

Rhode Island is open to the idea of engaging more than one vendor to perform the above functions.

- In your opinion, would an integrated approach produce better results than splitting functions among different vendors?
- If you offer an outsourced solution, what is your experience in collaborating with external organizations?
- If you offer an outsourced solution, what is your experience in exchanging data with other systems?

*Section 4 Possible Risk Adjustment and Reinsurance Program Integration*

Please describe which elements of risk adjustment or reinsurance your solution will address, and how your approach could integrate the risk adjustment and reinsurance program administration or specific elements within either risk adjustment or reinsurance.

*Section 5 Flexibility*

Please describe the capacity and flexibility of your risk adjustment and/or reinsurance solution as it relates to growth in enrollment over time and/or expansions to other populations.

*Section 6 Methodology*

Please describe your proposed approach to implementing these programs:

- How would you implement your solution in Rhode Island, given the small market?
- What is your proposed timeline for implementation?
- Do you have any third party alliances, relationships, or dependencies that condense your timeline?

*Section 7 Feasibility and Cost Assessment*

Please comment on the feasibility and costs of implementing your solution, including estimates of the amount of time, money, and resources needed:

- What is included and what is not included in your estimates?
- What is your pricing model and preferred vehicle for compensation (PMPM, fixed fee, etc.)?
- What is your licensing model and prices, if applicable?
- Are there any components (operations/staffing/technology) that the State would need to procure separately from your solution in order to meet the requirements outlined in this RFI?

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*Section 8      References*

Please indicate the reference documents, if any, used in responding to this RFI. Please also suggest references that would be of use to the State in developing a subsequent RFP.

**Response Protocols**

Submit one (1) original and **five (5) complete** copies of responses by the date and time stated on page one of this RFI. Please also submit two (2) electronic copies (thumb drive, CD, etc.) All paper submissions should be single spaced on 8 ½” by 11” pages and printed double-sided.

Based on the responses, Rhode Island will invite selected vendors to be interviewed and have the opportunity to demonstrate their approach.

<b>Schedule of Events</b>	
<b>Release of RFI</b>	<b>January 9, 2013</b>
<b>Deadline for RFI Questions</b>	<b>January 23, 2013</b>
<b>Deadline for RFI Response</b>	<b>February 6, 2013</b>
<b>Response Reviews</b>	<b>February, 2013</b>
<b>Interview Invitations</b>	<b>February, 2013</b>
<b>Interviews Conducted</b>	<b>February-March, 2013</b>

During the interviews, Rhode Island staff and supporting contractors anticipate discussing the vendor’s response to this RFI, requesting a demonstration from the vendor of any relevant technology and/or operations, and posing follow-up questions related to the vendors’ responses.

**Disclaimer**

This Request for Information is solely for information and planning purposes and does not constitute a Request for Proposal. All information received in response to the RFI and marked as “Proprietary” will be handled accordingly. Responses to the RFI cannot be accepted by the Government to form a binding contract. Responses to the RFI will not be returned. Respondents are solely responsible for all expenses associated with replying to this RFI.

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## **Program Elements**

This section will describe the key elements of state-based risk adjustment and reinsurance programs as context for the information sought in the following section. Additional documents for review with background information and context include:

- (1) [Federal Register 45 CFR Part 153: Patient Protection and Affordable Care Act – Standards Related to Reinsurance, Risk Corridors, and Risk Adjustment](#)
- (2) [Presentations on Risk Adjustment and Reinsurance Programs from the CMS Spring Meeting \(May 7-8, 2012\)](#)

### *A. Risk Adjustment*

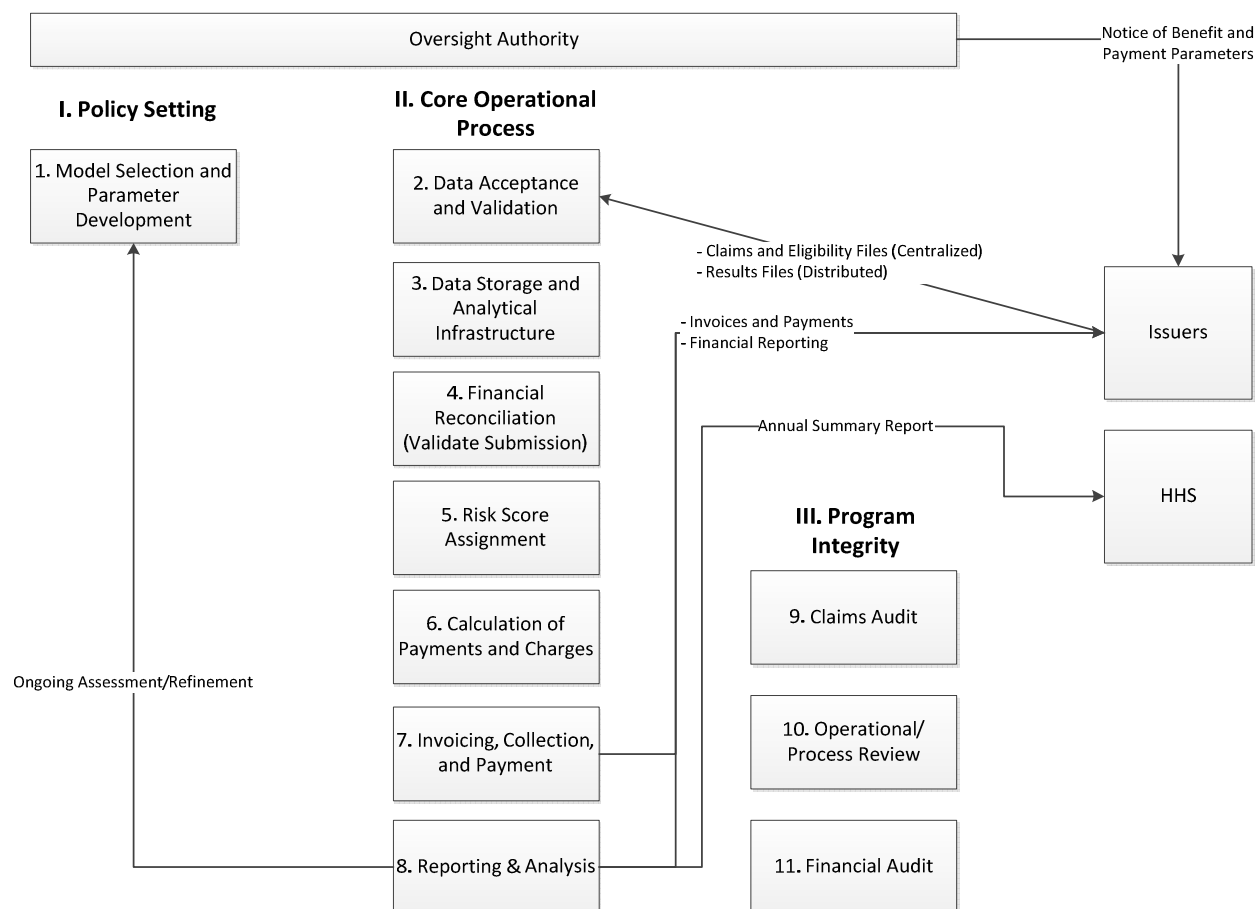
As required under the ACA, a state-based risk adjustment program must:

- Establish a risk adjustment model and data collection process (if the Rhode Island model differs from the federal model)
- Assign individual and plan risk scores (centralized), or validate risk-score assignment (distributed),
- Assess plans with lower than average risk and make payments to plans with higher than average risk, and
- Operate system of internal control.



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**Figure 1. Risk Adjustment Operational Elements**



In order to carry out these responsibilities, the state has identified necessary functions, as represented in Figure 1. These program elements are described below.

1. **Model Selection and Parameter development.** The state will need to select a predictive modeling or risk adjustment software to utilize in assigning individual and plan average risk scores, as well as model parameters to guide the assignment of risk scores and treatment of particular population types. The state will also need to conduct periodic evaluations of the predictive performance of the model and parameters.
2. **Data Acceptance and Validation.** The program will need to interface with health plan issuers to collect and validate claims and eligibility data required to assign individual-level risk scores. If the state elects to pursue a distributed model, in which risk scores are assigned by issuers using processes stipulated by the state, the program will instead need to accept and store individual risk score results that have been assigned and provided by issuers. Data validation will include quality checks on the data used for program operations. A process to validate that data is reasonable, accurate, and complete must be performed prior to use of data for risk score assignment and calculation of payments and charges. In addition to data analytics required to validate information, this process must

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include the ability to work with issuers to identify data completeness and accuracy issues, and accept and validate additional and/or supplementary data submissions to remedy issues that have been identified.

3. Data storage and Analytical Infrastructure. The program must possess the capacity to allow for data extract and reporting capabilities to support necessary audit, validation, and ongoing analytics for policy setting and program management.
4. Financial reconciliation. In addition to accepting claims, eligibility, and/or risk score results files, the program must accept and reconcile supplementary financial reports from issuers as an outside validation against submitted detail files to validate that submissions are complete, accurate, and comprehensive as a reflection of claims activity and financial performance.
5. Risk Score Assignment. which occurs through usage of diagnosis codes, as part of the claims records, to calculate risk scores. This process will involve the assignment of individual-level risk scores to members using a predictive modeling software adopted by the state, and may take place as an integrated element of data storage and validation, or as a separate process reliant upon data extracts or reporting external to the data storage and validation process. The assignment of risk scores must include appropriate data analytics and validation processes that is specific to the assignment of risk scores in order to ensure accuracy and appropriateness of assigned score.
6. Calculation of payments and charges where risk scores are applied to premiums and payments are calculated. Utilizing individual-level risk scores, the program must translate differences in measured population risk across health plans and issuers into payments owed (to higher-risk plans) or charges due (from lower risk plans), adjusting as necessary for differences in Actuarial Value or other benefit factors as stipulated by HHS and/or OHIC. The calculation of payments and charges will follow a schedule and calculation methodology defined by the federal Secretary of HHS and supplemented as necessary via state parameter establishment.
7. Invoicing, collection, and payment. Once the program has calculated payments owed to issuers and charges payables to be collected, invoices must be provided to issuers lower than average risk, and, once collected, payments must be made to issuers with higher than average risk.
8. Reporting and analysis. The program must make an annual report to HHS on the status of the program, provide transparency reporting to the market, and support programmatic operations and decision making with internal reporting and analytics.

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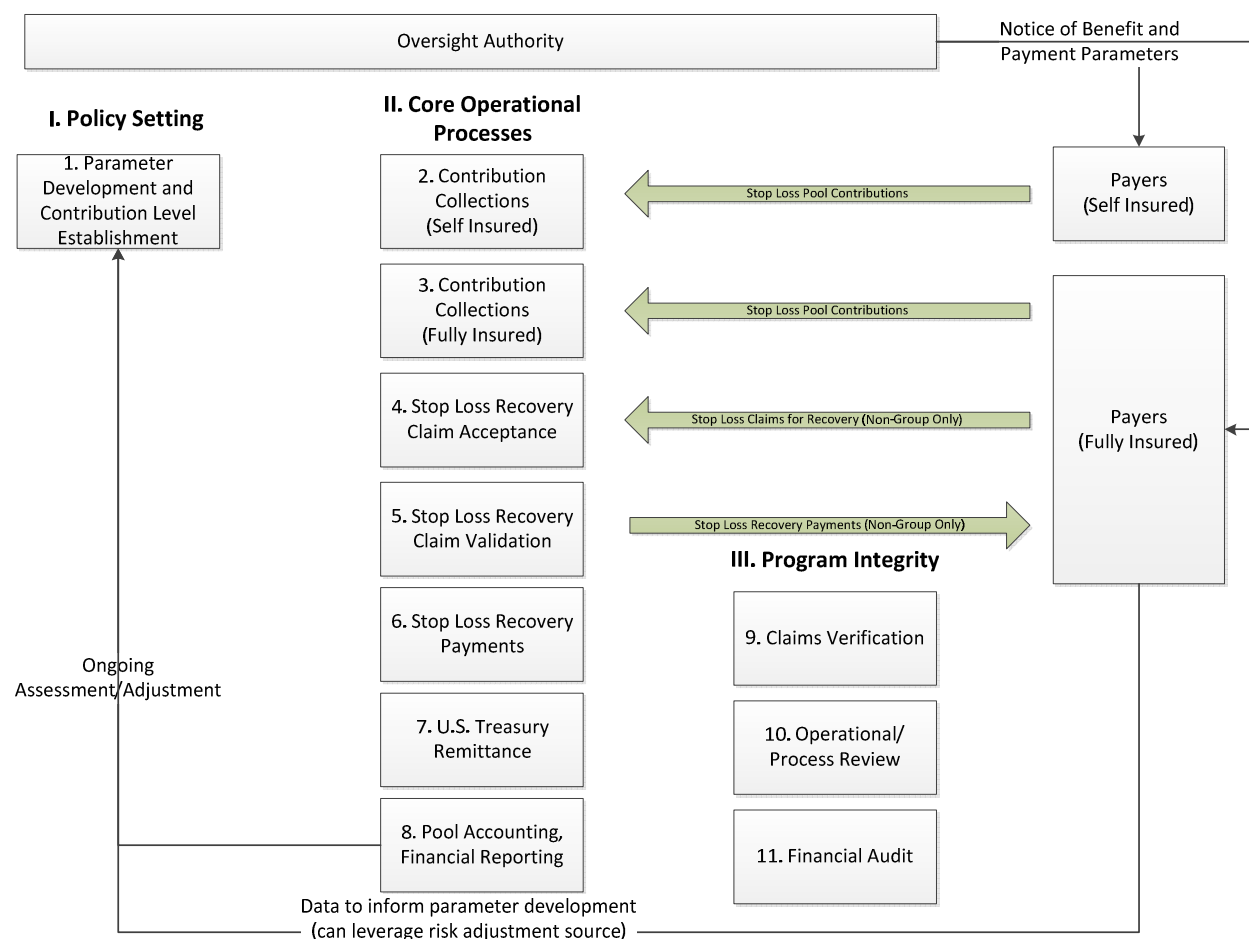
## Risk Adjustment and Reinsurance Program

### B. Temporary Reinsurance

Federal regulations stipulate that to run a state-based reinsurance program, the state must contract with or designate an “Applicable Reinsurance Entity”. This entity can then contract with third party administrators to run the program. The federal guidelines indicate that this reinsurance entity must be a not-for-profit entity that is exempt from taxation under Chapter 1 of the Internal Revenue Code of 1986. The reinsurance program will:

- Establish benefit and payment parameters (if different from federal),
- Collect contribution payments from third-party payers (fully and self-insured; non/small/large group),
- Make recovery payments to non-group carriers with stop-loss claims,
- Collect and transfer amounts owed to US Treasury, and
- Ensure reinsurance pool collections are sufficient to cover recoveries

**Figure 2. Reinsurance Operational Elements**



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The state has identified 11 primary program elements that will be necessary for the operation of a state-based reinsurance program. These elements are represented in Figure 2. A brief description of each of these elements follows.

The core operational processes for reinsurance include:

1. **Parameter Development and Contribution Level Establishment.** On an annual basis, the program will need to establish and evaluate program parameters, and establish a contribution amount sufficient to offset anticipated recovery payments made from the pool. State-based reinsurance programs may alter program parameters from those established by HHS by adjusting the attachment point, coinsurance level, and benefit cap, provided any changes made by the state do not lessen the value of the benefit. To the extent that state-based alterations to program parameters result in a total benefit in excess of that which can be supported at the minimum contribution level established by HHS, the state may establish a contribution amount that is higher than the federal minimum.
2. **Contribution collection.** Under final guidance provided by HHS, both self-insured and fully-insured payers will be responsible for making contribution payments to fund the stop-loss pool. HHS will collect contribution amounts from self-insured payers. HHS will also, at the state's request, collect contribution amounts from fully-insured payers. The state may also elect to collect contribution amounts from fully-insured payers, or collect contribution amounts in excess of federal minimum contributions (i.e., in the event that anticipated recovery payments will exceed funds collected using minimum contribution levels).
3. **Stop loss recovery claim acceptance.** The program must accept claims for stop-loss recovery from issuers, and establish a process by which such claims may be accepted and processed.
4. **Stop loss recovery claim validation.** The program must develop and employ a method to validate that claims for stop-loss claims are accurate.
5. **Stop loss recovery payments.** The program will need to develop and employ a mechanism and process to make payments to issuers once stop loss recovery claims have been accepted and validated.
6. **U.S. Treasury remittance.** Under final federal guidance from HHS, reinsurance contribution amounts must also include money owed to the U.S. Treasury. The program must develop and employ the capacity to remit the required payments.
7. **Pool accounting and financial reporting.** The program will need to periodically update projections for the status of the reinsurance pool and provide financial reporting both to the oversight entity as well as the public related to the balance and projected balance of the stop loss pool.

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**Information Requested**

- Risk adjustment data collection and validation to be supported by data aggregation vendor contracted to support APCD (separate procurement)
- Data hosting and analytic platform to be supported by hosting and analytic vendor to be chosen to support APCD (Separate procurement)
- Rhode Island in process of determining contractual structure to support additional functions that are specific to risk adjustment and reinsurance
- Program integrity/third party audit and review functions not part of the scope of information requested
- Specifically, seeking information from potential vendors with respect to three types of engagement related to the operation of portions of both risk adjustment and reinsurance.

1. Actuarial Engagement

a. Risk Adjustment

- i. Select model and develop parameters
- ii. Assignment of Risk Scores
- iii. Calculation of Payments and Charges,
- iv. Development of Annual Reporting to HHS and transparency information to the market
- v. Support annual evaluation of model and parameter performance
- vi. If necessary, accept, securely store, and validate information directly from issuers

b. Reinsurance

- i. Establish parameters and contribution amount
- ii. Semi-Annual review of pool balance, parameter performance
- iii. Annual evaluation and re-establishment of stop loss parameters
- iv. Validation of Stop-Loss claims and calculation of amount payable

2. Hosting Vendor

- a. This function will be supported by hosting and analytic vendor selected to perform functions in support of RI APCD
- b. Seeking information as to whether some areas of risk adjustment can be integrated into existing APCD data storage and analytical platform management
- c. Specific Risk Adjustment Functions that may be integrated:
  - i. Risk Score Assignment Capacity
  - ii. Calculation of Payments and Charges
  - iii. Reporting and ad hoc analytics

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3. Reinsurance Administrator
  - a. Accept stop loss recovery claims
  - b. Validate stop loss recovery claims
  - c. Make payments for stop loss recovery claims
  - d. Interface with the federal government to accept funding flows